INTRO TO NEGOTIATION SUMMARY

Simone Guggiari

0-Overview

content
- n situations, approaches
- n methods (Harvard, GameTh)
- brainteasers

1- INTRODUCTORY REMARKS

DEFINITIONS

n: exchange between parties → reconcile diff, produce settlement
multiple individuals → joint decisions (⇒ consq, payoff ∀)

es Brexit → Gb leaves EU
Minsk II → Uk, Ru, Fr, De ⇒ alleviate war in Ukraine, retreat/amnesty/banking system

US → 28 presi, 1957 It De Fr Bel Lus PBas

Buying a car / planning vacations

Negotiation
- 2 or more parties (or 1 vs Nature)
- conflict of needs → share
- give & take, negotiate > fight
- results: tangibles & intangibles

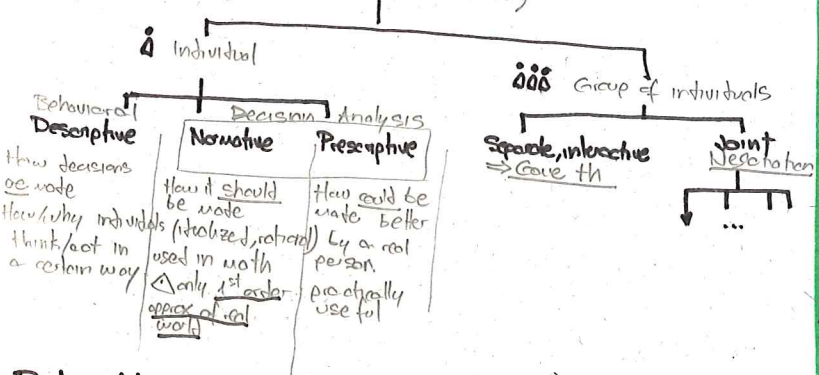
Avoid to n if
- no willingness concession
- unethical / bad faith
- unprepared

Mediation action of actor, uninvolved, to reduce friction & facilitate resolution

Taxonomy:
- Frequency: one time / repeated
- Composition of parties: monolith / compound
- Number of parties: =2 / >2
- Behavior: Norms in groups, Fear of threats, Ethic standards
- # issues: 1 / many
- confidentiality: public / private
- time: deadline (yes/no)

Distributive n: competitive over 1 issue (win-lose, cake split)
Integrative n: look for win-win, mutual gain (usually many issues) can be better for both parties

Decision theory



Rationality

$a \in A$	action	
$\omega \in \Omega$	outcome	
$U: \Omega \to \mathbb{R}$	utility	$U(\omega_1) \geq U(\omega_2) \Rightarrow \omega_1 \succsim \omega_2$ "preferred"
$\pi: A \to \mathbb{R}$	payoff	$\Rightarrow$ expected utility
λ, $\lambda(a)$	lottery, set of prob dependent on action	$\pi(a) = \sum_{\omega \in \Omega} p(\omega \mid \lambda(a)) \cdot U(\omega)$
$p(\omega \mid \lambda)$		

Rational under certainty (pref for actions)
Completeness (more or better)
Transitivity
$\omega_1 \succsim \omega_2, \omega_2 \succsim \omega_3 \Rightarrow \omega_1 \succsim \omega_3$

under uncertainty (pref for lottery)
Monotonicity
Continuity
Independence

Behaving rationally: objectives based on motivations
- consistent measures & metrics, adapt to customs/conventions

Relations: $R \subset A \times B$
transitive: $(a,b) \in R \wedge (b,c) \in R \Rightarrow (a,c) \in R$

⇒ **Hypotheses for rational:** (of big group)
- professionals
- also on "back office"
- critical discussion

PHYLOSOPHICAL CONCEPTS

Morality → counting lives, minimizing cost
↘ or includes other human moral values? / rights

J. Bentham (utilitarianism) → max happiness, (for greatest #) — pleasure / pain — ⚠ fail individual rights, es torture, hard to define utility
J.S. Mill → reconcile individual rights ⇒ result counts

I. Kant (reject utilit.): moral worth = do right thing, motives > results
"what if every body did that"

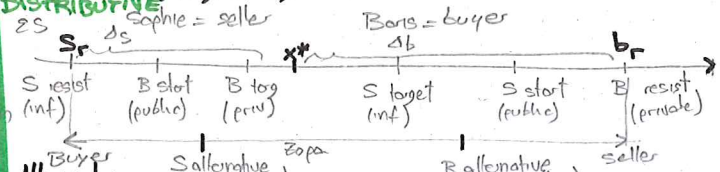
Neoeth: all based on utilitarian reasoning (game th, op research, n science, decision making th)
scientific ⇒ quantification
(⚠ keep in mind real life)

2- NEGOTIATION CONCEPS

DEFINITIONS

Target pt: = aspired goal for negotiation to conclude n
Resistance pt: = bottom line (reservation price), worst case still accepted
starting pt: = (ask price, initial offer) set by one party
ZOPA (zone of pot. agreement) = spread between resistance pts

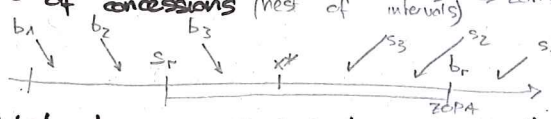
DISTRIBUTIVE



x^* = price (final)

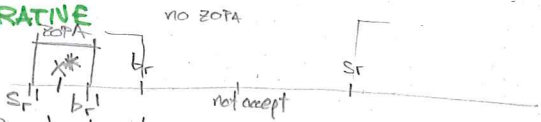
seller surplus $\Delta s = x^* - s_r$
buyer surplus $\Delta b = b_r - x^*$
deal surplus $\Delta = \Delta s + \Delta b = b_r - s_r$

Zone of concessions (red of ≥ 0 intervals) → ZOPA

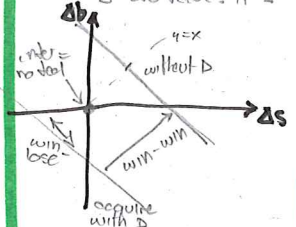


find best out_come in Zopa (subj. assessment)
can make extreme offers & small concessions
also, can go in other dir (trap)

INTEGRATIVE



Dep D: B undervalues if / S overvalues if → sell without D



Steps
- agree on problem
- interests behind pos
- find alternatives
- list sol / find best / select it

es: Holiday mountain/sea
- expand pie: 4 weeks, 2 each
- logroll: favor hotel mountains
- compensation: she pays, he goes beach house, not expens. hotel
- min cost
- bridge: select place that offers both

CONCLUSIONS

Extra.:
Fairness
Intangibles
Emotions (escalation)
Differences in Risk/Expectations / Timing

10 best practices ⚠
- be prepared
- find n structure
- BATNA (best alternative to n agreement)
- willing to walk away
- paradox / mosler
- intangibles
- coalitions
- protect reputation
- rationality / fairness are relative
- learn from exp

Harvard method (HM)

KEY PRINCIPLES

"best way for ppl to deal with differences"

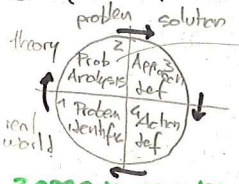
⚠ don't bargain over positions ⇒ principled negotiation (on merits)

4 MAIN PROPOSITIONS

① People: separate from problem
hard on facts, soft on ppl
understand perceptions/emotions/communication/avoid conflict
- working relationship
- subj of negotiation

② Focus on interest, not pos (underlying motivation, concern, importance)
(interests behind pos) ↳ (manifestation of interest)
keep motivations of other party in mind
ex: window, elevator, car

③ Options for mutual gain



④ Use objective criteria
don't fall back based on will
$ rent

3 SPECIAL SITUATIONS

Difficult negotiation situations

I. They are stronger (ratio/power/public opinion)
→ protect yourself • define bottom line (⚠ no flexibility)
→ define BATNA (if you don't reach agreement)
→ make the most of your assets (?)

II. They won't play
→ keep strategy until other parties understand
→ Jujitsu, look behind others interests

III. They use dirty tricks (false info, psychological tricks, ...)
→ be rational, apply key propositions / objectivity
→ separate ppl from problem

~~10 Questions about HM~~

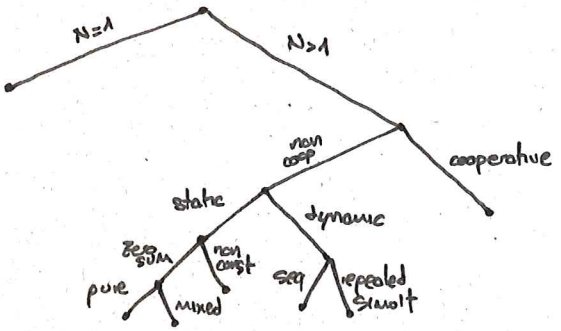
1. Does pos. bargaining ever make sense (vs principled negotiation)
2. other believes other standard of fairness
3. Should I be fair
4. What if ppl are the problem
5. Should I always negotiate?
6. How to adjust negotiating approach → all want to be accepted
7. How to decide details
8. Transition from options to commitment
9. Try out ideas without risk?
10. Enhance vs adversary with more power

Critics

- too simplified
- only common sense
- no use, if only 1 aspect is being negotiated

Game theory

~~Individual decision making N=1~~
~~group of N individuals N>1~~



Neumann (ETH) → founded GT + Morgenstern
Nash

3) Negotiation Engineering

BASIC CONCEPTS Negot: discussion btw 👥.. to reach agreem
Engin: application of science/math

Characteristics
- sol oriented
- look for an answer, with constraints
- Heuristics: • Rule of thumb / Strategy / Trick / Simplific

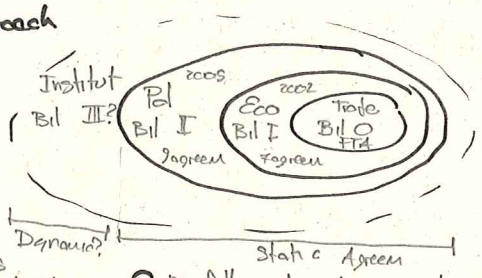
4 principles: Decomposition → sub problems, less complex, key probl
Formalization → turn into math language
Math. method → GT / optimization / statistics
Heuristics → based on exp, learning, good enough (not opt)

⇒ Solution for particular problem, not in general, not high lvl strategy

CASE STUDIES

FTA free trade agreement (1973)
EEA eu economic area

Swiss bilateral approach



⊕ better market access
freedom in legislation / politics
→ advantages of staying outside
⊖ no full participation in policy sectors
unsatisfied market access

Good relations with bilaterals agreements ⚠ free mvt vs immigration
national pref vs discrimination

CASE 1 Land transport agreement
How to transport goods over alps? Constitution → must go by rail

Approaches: tariffication → transform quantity restriction into tariffs
internalization of external costs → not liked by EU
progvate → π engineering, split tarif
↳ 2 tariffs, based on ecologic factors

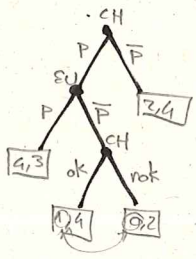
CH: most of transports by rail | Cond: 1. N of concepts
2. Try to solve
3. Leave a few terms open

- search for obj criteria
- complicated formula good
  ↳ hard for politicians to enhance

CASE 2 Bilateral 2 CH EU, not agreed on issues

PARALLELISM IN NEG

extensive form game



decision taken based on GT analysis

CASE 3 Schengen Association Agreement